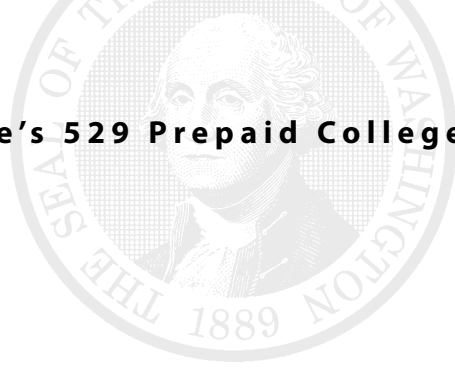


Washington State's 529 Prepaid College Tuition Program



Program Details



September 2005



The Washington Higher Education Coordinating Board administers the GET Program while the Washington State Investment Board oversees its investments. The Committee on Advanced Tuition Payment, commonly referred to as the GET Committee, governs the program.

GET COMMITTEE MEMBERS

Mooi Lien Wong
Citizen

Elizabeth Stecher Berendt
Citizen

Michael J. Murphy
State Treasurer

Victor Moore
Director, Office of Financial Management

James E. Sulton, Jr., Ph.D., Chair
Executive Director, Higher Education Coordinating Board

GET ADMINISTRATION

Betty Lochner
Director, Guaranteed Education Tuition Program

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1. Master Agreement

Before you open a Guaranteed Education Tuition account, please carefully read the 2005-2006 Master Agreement, which explains the rules of the program. When you sign your enrollment form, you are agreeing to the terms of the Master Agreement.

2005-2006 MASTER AGREEMENT Updated September 1, 2005

I. DEFINITIONS

The following Terms when used in the Agreement and the Enrollment form for purchase of Tuition Units will have the meanings set forth below:

- A. **"Academic Year"** means the regular nine month, three quarter or two semester period annually occurring between August 1st and July 31st.
- B. **"Account"** means the record that contains the details of payments, fees paid and/or charged, Units purchased, Units distributed, Units refunded and remaining Units in connection with a particular designated Student under an Agreement.
- C. **"Agreement"** means the legally binding contract between the State and the Purchaser in favor of the Student Beneficiary resulting from acceptance by the State of the Purchaser's Enrollment form and payment for the purchase of Tuition Units under the Program.
- D. **"Benefit Use Year"** means the year the Student may begin the distribution of Units.
- E. **"Code"** means the Internal Revenue Code of 1986, as amended.
- F. **"Committee"** means the Committee on Advanced Tuition Payment which governs the Advanced College Tuition Payment Program also known as "Guaranteed Education Tuition".
- G. **"Custom Monthly Payment Plan"** means a plan for the purchase of 50 to 500 Tuition Units over a period of one to eighteen years. Monthly payments include interest.
- H. **"Distribution"** means payment by the Program to the Student's Institution of Higher Education toward the cost of Higher Education Expenses, and/or reimbursement to the Purchaser or Student, if authorized by the Purchaser.
- I. **"Family Member"** means parents, brothers, sisters, stepparents, stepbrothers, stepsisters, aunts, uncles, first cousins and other eligible blood or legal relatives.
- J. **"Full-time Tuition"** means resident, undergraduate tuition charges at a State Institution of Higher Education for enrollment between ten credit hours and eighteen credit hours per academic term.
- K. **"Gift Contribution"** means the purchase of additional Tuition Units or payments by an individual who is not the original Purchaser in connection with an established Account.
- L. **"Gifter"** means an individual authorized by the Purchaser to make Gift Contributions to an Account.
- M. **"Guardian" or "Custodian"** means an adult authorized to make decisions on an Account owned by a minor Purchaser.
- N. **"Higher Education Expenses"** means eligible education expenses in connection with a Student's attendance at an Institution of Higher Education within the meaning of §529(e)(3) of the Code (or any successor provision) which as of the date hereof includes certain tuition, fees, books, supplies and equipment required for enrollment or attendance of the Student, and (subject to certain limits) room and board.
- O. **"Information Release"** means an individual other than the Purchaser who is authorized to make verbal inquiries about an Account.
- P. **"Institution of Higher Education"** means an "eligible educational institution" under § 529 (e)(5) of the Code. The institution must be described in § 481 of, and eligible to participate in a student financial aid program under, Title IV of the Higher Education Act of 1965 (20 USC § 1088) as in effect on August 5, 1997.
- Q. **"Lump Sum Plan"** means a plan for the purchase of 1 to 500 Tuition Units at the Unit Price in effect on the date that payment is received by the Program. Additional Lump Sum Units may be purchased at any time at the Unit Price in effect on the date each payment is received by the Program.
- R. **"Master Scholarship Account"** means an Account opened by an Organization for the purposes of awarding Guaranteed Education Tuition Units as scholarships.
- S. **"Organization"** means a state or local governmental unit, or a nonprofit organization exempt from federal income tax under § 501(c)(3) of the Code, registered or licensed to operate in the State.
- T. **"Program"** means the Advanced College Tuition Payment Program known as "Guaranteed Education Tuition" or "GET".
- U. **"Purchaser" or "Account Owner"** means the individual signing and submitting the Enrollment form and enrollment fee, and the person who has designated control of the Account.
- V. **"Purchaser Survivor" or "Account Owner Survivor"** means an individual authorized by the Purchaser to take control of an Account upon the death or incapacity of the Purchaser.
- W. **"Resident"** means an individual who has met the requirements at a State Institution of Higher Education to be classified as a resident of the State of Washington in order to qualify for resident undergraduate tuition and fees.
- X. **"State"** means the State of Washington.
- Y. **"State Institution of Higher Education"** means a public college or university in the State of Washington, which is an institution as defined in RCW 28B.10.016.
- Z. **"Student" or "Student Beneficiary"** means the beneficiary for whom Tuition Units will be distributed for attendance at an Institution of Higher Education.

AA. "Tuition and Fees" means resident, undergraduate tuition and mandatory services and activities fees as defined in RCW 28B.15.020 and 28B.15.041 rounded to the nearest whole dollar. State-mandated fees are those provided by statute, including operation, building and student activity fees. They do not include institutionally mandated fees that may be required at each individual school. Schools may impose their own fees such as technology, library, recreation and fees to secure repayment of bonded indebtedness and other types of fees. These fees are not considered state-mandated fees and therefore are not covered in the payout value amount.

BB. "Tuition Unit" or "Unit" means 1/100th of the highest resident, undergraduate Tuition and Fees at four-year State Institutions of Higher Education for the Academic Year of distribution.

II. ESTABLISHING AN ACCOUNT

A. Submitting an Enrollment form

1. Completed Enrollment form. The Enrollment form submitted to the Program must be completed according to the Enrollment form instructions. A separate Enrollment form is required for each Student. The Enrollment form must be completed online by midnight on the last day of the enrollment period or must be postmarked by the last day of the enrollment period to be processed. Either the Purchaser or Student must be a resident of the State of Washington at the time the Enrollment form is submitted.
2. Initial Payment. The Purchaser must send the payment for the nonrefundable enrollment fee with each Enrollment form. The Purchaser must also include payment for the purchase of a minimum of one Tuition Unit with the Enrollment form if enrolling in the Lump Sum Plan only.

B. Enrollment form Acceptance, Agreement

1. Written confirmation by the Program. A binding Agreement will be established once the Program confirms in writing or by electronic mail to the Purchaser that it has accepted the Enrollment form.
2. Return of Enrollment Form. If an Enrollment form is not accepted, an amount equal to any payment made will be returned to the Purchaser.
3. Title to Agreement. The Purchaser will hold title to an Agreement, and only the Purchaser may exercise rights under such Agreement, unless the Purchaser's ownership rights are transferred to the Purchaser Survivor, or to the Student as described below. Any person making a Gift Contribution will not have any title to or rights under the Agreement. By providing Account information to a Gifto, the Purchaser assumes responsibility for fees associated with returned Gifto payments under the Agreement. If the Program is unable to locate either the Purchaser or Student within the time periods required under the Agreement, the Program will treat the value of any Tuition Units credited to the Account as unclaimed property and it shall become the property of the Program.
4. Automatic Transfer of Ownership. The Student designated in an Agreement will automatically assume the Purchaser's rights and responsibilities under, and title to, the Agreement in the event that the Purchaser dies, becomes legally incompetent or cannot be located by the Program and has not designated a Purchaser Survivor to assume control of

the Agreement. In such event, the Program without further notice, consent, authorization or otherwise, shall act at the specific direction of the Student's designated Guardian if the Student is a minor.

5. Voluntary Transfer of Ownership. The original Purchaser may transfer ownership of or rights under the Agreement to another person to act as Purchaser only if such transfer is not prohibited by state or federal law or regulation, and is specifically approved in writing by the Program. The new Purchaser must agree to the transfer by signing the Purchaser Change form and shall be subject to the terms of the Agreement.

C. The Purchaser

1. Qualifications. The Purchaser must meet the following qualifications (as applicable):
 - a. Individual Purchasers. An individual Purchaser must provide a valid Social Security Number and/or other documentation acceptable to the Program.
 - b. Minor Purchasers. For an individual Purchaser under the age of eighteen (18) years, an adult must sign the Enrollment form and certify that he or she will serve as Guardian under the Agreement.
 - c. Purchasers not Individuals. In the case of a legal entity opening an Account, a legally authorized representative of the entity must sign the Enrollment form.
 - d. Scholarship Programs. An Organization may open a Master Scholarship Account on behalf of its scholarship program.
2. Notice to Purchasers. All official notices from the Program will be directed only to the Purchaser, unless otherwise requested in writing by the Purchaser.
3. Using funds from UTMA/UGMA. Custodians for minors under the Uniform Gifts to Minors Act or Uniform Transfers to Minors Act ("UGMA/UTMA") may open an Account subject to the state laws and rules governing such UGMA/UTMA accounts.
 - When proceeds from UGMA/UTMA accounts are to be used to purchase Tuition Units under an Agreement, the Student must be shown as the Purchaser of the Account and a Custodian must be designated. The Custodian is not the owner of the Account and has a legal obligation to use UTMA/UGMA funds solely for the benefit of the Student. The Custodian on this type of Account may not change the Purchaser or Student without a court order.
 - The Student will obtain control of the Account and all rights under the Agreement upon reaching the age of majority. These rights include, but are not limited to, the right to cancel the Agreement and receive a refund pursuant to the Program refund policy, or to use the Tuition Units for educational purposes.
 - Any and all contributions to this Account will be considered UTMA/UGMA funds (custodial funds) and become an asset of the Student and will also be subject to UGMA/UTMA restrictions. If you prefer to keep your new contributions free from these restrictions, you should open a separate Account with the Program.
 - The Program will not be liable for any consequences related to a Custodian's improper use, transfer, or characterization of custodial or UTMA/UGMA funds.

D. The Student

1. Designation of Student. Except as described below, the Agreement must designate, as beneficiary of the Agreement, a Student who has a valid Social Security Number or has applied for a Social Security Number. If the Student does not have a Social Security Number, the Purchaser must submit the Student's Social Security Number within six months after the date of receipt of the Enrollment form. The Student need not be related to the Purchaser. There is currently no age restriction for the Student. The Student may be the same person as the Purchaser.
2. Scholarship Programs. An Organization opening an Account need not designate a Student at the time of enrollment. Upon awarding a scholarship, the Organization will be required to submit a Scholarship Transfer form provided by the Program and to designate a Student as beneficiary at least four months prior to distribution as part of the requirements for initial distribution. Additional enrollment and transfer fees may apply.
3. Change in Designated Student. For any reason during the Agreement term, the Purchaser may, by written request, designate a new Student, who must be a Family Member of the previously designated Student. No Purchaser or Student may receive payment or other consideration in connection with such a change.

III. PURCHASING TUITION UNITS

A. Annual Enrollment Period

Annually, the Program will announce an enrollment period. Enrollment forms to establish a new Lump Sum Plan or Custom Monthly Payment Plan may only be submitted during an enrollment period. Additional Lump Sum Plan purchases and Gift contributions may be made to existing Accounts at any time, including outside of an enrollment period.

B. Number of Tuition Units

1. Selection by Purchaser. The Purchaser must indicate in the Enrollment form the total number of Tuition Units to be purchased under the Agreement, and if purchasing a Custom Monthly Payment Plan, the specified payment period.
2. Minimum Purchase. For Lump Sum Plan Accounts, the minimum purchase shall be one Tuition Unit. For each new or reinstated Lump Sum Plan Account, the Purchaser must purchase at least the minimum purchase amount within 90 days of opening the Account or the Account may be cancelled at the discretion of the Program. For Custom Monthly Payment Plan Accounts, the Purchaser must select between 50 and 500 Tuition Units, in increments of 50, to be purchased under the Agreement.
3. Maximum Number of Tuition Units. No Student designated on an Account or multiple Accounts may be the beneficiary in the aggregate of more than 500 Tuition Units.

C. Purchase Options

1. Generally, Tuition Units under an Agreement may be purchased under the Lump Sum Plan, the Custom Monthly Payment Plan, or a combination of the two. The Program's price charts set forth the purchase prices of specific numbers of Tuition Units paid for through a Lump Sum Plan and through a Custom Monthly Payment Plan purchased over a specified payment period.

2. Lump Sum Purchase. The Purchaser may choose to purchase Tuition Units covered by the Agreement in one Lump Sum payment at the time of the enrollment. Additional Tuition Units may be purchased at a later time at the price in effect at the time of purchase of those Tuition Units. Payments are posted to Accounts on the date the payment is received by the Program. Lump Sum Plan purchases may be made at any time during the year. Units purchased under the Lump Sum Plan shall be priced annually and may also be adjusted once during the year, if necessary, to ensure the actuarial soundness of the Program.
3. Custom Monthly Payment Plan. The Purchaser may choose to purchase Tuition Units under a Custom Monthly Payment Plan by making monthly payments under a payment plan for a specific payment period designated by the Purchaser in the Enrollment form. Monthly payments include an interest charge of 7.5 percent per annum for the life of the payment plan plus the cost of processing the payments. Custom Monthly Payment Plans may be set up for one to eighteen years in duration. The Program shall supply a coupon book to a Purchaser making monthly payments unless the Purchaser selects the option to make payments through payroll deduction or automatic monthly withdrawal. However, each monthly installment payment will be due on the monthly due date even if the Purchaser does not receive a payment coupon book before the payment is due. The Plan sets the price for the purchase of a specific number of Tuition Units over a specific period of time. No Units purchased under a Custom Monthly Payment Plan may be used until the Account has been paid in full. Custom Monthly Payment Plans may be paid off early, although there is no reduction in total interest paid or any financial advantage to doing so.
4. Combination Purchases. The Purchaser may also choose to purchase certain Tuition Units by Lump Sum purchase and purchase other Tuition Units under a Custom Monthly Payment Plan.

D. Pricing of Tuition Units

1. Annual Determination by Program. For each year, the Program will use actuarial methods to determine purchase prices for Tuition Units purchased during that year. The price for Tuition Units covered by an individual Custom Monthly Payment Plan will not change from year to year, but remain as determined at the outset of the Agreement. Units purchased under the Lump Sum Plan shall be priced annually and may also be adjusted once during the year, if necessary, to ensure the actuarial soundness of the Program.
2. Determination of Prices. The prices shall be determined based on one percent of the highest resident undergraduate Tuition and Fees, as defined above, for the four-year State Institutions of Higher Education for the current Academic Year, rounded to the nearest whole dollar, adjusted for the costs of administration and adjusted as determined by the Program to ensure the actuarial soundness of the Program. The applicable purchase prices for Tuition Units may vary depending on the purchase payment option identified in the Enrollment form.

E. Methods of Payment

1. Methods. Payment of the purchase price for Tuition Units and required fees must be made in United States currency,

using any of the payment methods permitted by the Program, which may include (without limitation) the following:

- Personal or cashier's check; or
 - Money order; or
 - Automatic Bank Withdrawal (ACH) - Purchasers selecting this method must complete the Automatic Monthly Withdrawal Authorization form provided by the Program including a voided check for verification of routing and bank account numbers; or
 - Payroll deduction - Purchasers selecting this method must be employed by an organization that offers payroll deduction for the Program and must complete a Payroll Deduction Authorization form provided by, or acceptable to, the Program; or
 - Payment online through the Program's Web site via an online automatic payment option. There is a nominal fee assessed per transaction.
 - Credit or debit cards -- Credit or debit cards will be accepted for payment of enrollment fees only.
2. Fees. Purchasers will be responsible for any fees charged by a bank or other entity that may be applicable to the payment method selected, including fees assessed on returned payments.

F. Gift Contributions

1. Gift Contributions to an Existing Account. A person may purchase Tuition Units for a Student designated on an existing Account by paying an amount referred to as a "Gift Contribution." A Gift Contribution may purchase additional Tuition Units or, in the case of a Custom Monthly Payment Plan, may be applied to current or future monthly payments covered by the Agreement, and together with the Tuition Units covered by the Agreement, are subject to the maximum purchase amount. If the Student has a Custom Monthly Payment Plan and a Lump Sum Plan or only a Lump Sum Plan, all Gift Contributions will be added to the Lump Sum Plan. If the Student has only a Custom Monthly Payment Plan, the Gift Contribution will be applied to the payments on the Custom Monthly Payment Plan, unless the Program receives written instructions to purchase additional Lump Sum Units.
2. Timing of Gift Contributions. Persons may make Gift Contributions to an established Account at any time, including outside an enrollment period. The Tuition Unit price posted to an Account will be the price in effect at the time payment is received.
3. Purchase Price. The purchase price of additional Tuition Units paid for by a Gift Contribution will be the same as the price applying to Lump Sum Plan purchases at the time the Gift Contribution is received. If applied to a Custom Monthly Payment Plan, it is applied at the rates established in the Agreement.
4. Ownership of Tuition Units. Tuition Units purchased and payments made by a Gift Contribution will be added to an existing Account and will be owned by and subject to direction solely by the Purchaser of the existing Account, not by the person making the Gift Contribution.
5. Terms of Existing Agreement. Purchase of Tuition Units by a Gift Contribution shall not affect the terms of the applicable existing Agreement.

G. Rollover Contributions

In connection with a contribution to an Account, the Purchaser must indicate whether the contribution constitutes a rollover contribution from a Coverdell Education Savings Account, a qualified U.S. Savings Bond (as described in § 135(c)(2)(C) of the Code) or another Qualified Tuition Program. If it is a rollover contribution, the Purchaser must provide acceptable documentation showing the earnings portion of the contribution. To the extent such documentation is not provided, the Program will treat the entire amount of the rollover contribution as earnings.

Acceptable documentation includes the following:

- 529 Plan Assets: An account statement issued by the 529 program which shows the earnings or loss portion of your withdrawal.
- Coverdell Education Savings Accounts: An account statement or documentation issued by the account custodian that shows the basis and earnings in your account.
- U.S. Savings Bond: An account statement or IRS Form 1099-INT from the redeeming institution that shows the interest which has accrued on the bond.
- Such other documentation determined by the Program to be acceptable in accordance with future guidance issued by the IRS.

Rollovers between 529 plans for the same Student Beneficiary are permitted only if it has been at least 12 months since the most recent such rollover for that Student Beneficiary, but there is no restriction on the frequency of rollovers between 529 plans for different Student Beneficiaries. The distribution must be reinvested in another 529 plan within 60 days of the withdrawal date. The Program does not perform direct rollovers to other state 529 programs. Distributions of this type fall under the Program's Cancellation and Refund Policies (described herein).

H. Prepayment

A Purchaser may prepay any amount due under a Custom Monthly Payment Plan before the applicable monthly due date. The Program will automatically apply prepayments in the following order of priority:

(1) to any outstanding fees, charges, or penalties, under the Agreement; and (2) to future monthly payments in chronological order. Upon a prepayment, there will be no reduction in the future monthly payments and the interest component thereof.

I. Failure to Pay When Due

1. Payment Made Late. If any monthly payment is made more than 15 days after the applicable monthly due date, such amount will be treated as a late payment. Each late payment will be subject to a late payment fee.
2. Failure to Pay. If the initial Custom Monthly payment is not made within 90 days after the first payment due date or if a Custom Monthly Payment Plan is more than 180 days behind in payments, the Agreement to purchase Units under the Custom Monthly Payment Plan may be cancelled and the Program may automatically convert the Account to a Lump Sum Plan. Any outstanding fees will be taken at the time of conversion.

J. Dishonored Payments

1. Dishonored Payment. If a check, automatic bank withdrawal (ACH) or other payment by a Purchaser is not honored or not paid in full by the applicable bank or other entity (including

stop payments), the payment will be treated as a dishonored payment. Each dishonored payment will be subject to a dishonored payment fee. Replacement payments made to offset dishonored payments will be processed at the Unit price in effect at the time the replacement payment is received.

2. Initial Payment. If the dishonored payment represents the initial payment, the Program may choose not to accept the Enrollment form or, if the Enrollment form has previously been accepted, may cancel the Agreement.
3. Monthly Payment. If the dishonored payment is a Custom Monthly Payment Plan payment, the amounts relating to the dishonored payment will remain due.

IV. DISTRIBUTION OF TUITION UNITS

A. Distribution of Tuition Units

For Tuition Units to be distributed, the following shall occur:

- For Units purchased by a Lump Sum purchase, the Units must be fully paid for and held for two full calendar years.
- For Units purchased in a Custom Monthly Payment Plan, the Custom Monthly Payment Plan must be paid in full, there must be no outstanding fees, and the Agreement must have been in effect for two years before any Units purchased under the Agreement may be used.
- The Purchaser has notified the Program using an acceptable method as described in the Program's Student Benefit Guide of his or her intent to have the Tuition Units distributed on behalf of the Student.
- The Student must have enrolled in an eligible Institution of Higher Education on or after the Projected Benefit Use Year set forth in the Enrollment form.
- The Program will not pay for expenses incurred for a Student enrolled in the Running Start Program as enacted in RCW 28A.600.300 through 28A.600.410.

B. Eligible Expenses

The Program takes steps to ensure, and may require documentation from the Purchaser and/or Student necessary to confirm, that a distribution will only be used for Higher Education Expenses at an Institution of Higher Education, as allowed by federal tax law in effect at the time. From time to time, changes in federal law may affect the types of Higher Education Expenses and Institutions for which distributions may be used.

C. Use of Tuition Units

Tuition Units may be used for Higher Education Expenses at any eligible Institution of Higher Education. The value of Tuition Units is not guaranteed to cover the full amount of Tuition and Fees unless used at a State Institution of Higher Education.

D. Timing and Maximum Distribution

Unless eligible Units are available from a previous Benefit Use Year, the Student may not request a distribution of more than 125 Units in the Academic Year of August 1 to July 31. Subject to any further restrictions imposed by state or federal laws or regulations, any request for a distribution must be made within 10 years after the Benefit Use Year or within 10 years after the first distribution date whichever is later, unless the Program approves the Purchaser's written request for an extension before that time.

E. Request for Distribution

The Program will provide the Purchaser with information on completing an Intent to Enroll form, which must be completed and returned to the Program by the date required on the form. If the Program does not receive the form by the due date, distribution of Units may be delayed. If the Account has been opened by an Organization in connection with a scholarship program, the Organization must also designate the Student and provide the information required by the Program for purposes of distribution at least four months prior to the expected distribution date. The information received may be verified by telephone.

F. Payment of Distribution

1. Payment to Institutions. Any distribution by the Program on behalf of a Student will be paid directly to the Institution of Higher Education at which the Student is enrolling.
2. Reimbursements. At the option of the Purchaser, distributions may be paid to the Purchaser or Student for Higher Education Expenses in the form of a reimbursement. Reimbursements to Students require a notarized signature from the Purchaser.
3. Conditions to Payment. A distribution will be made only after the Program determines:
 - a. Eligibility of the Institution. The Student's institution is an Institution of Higher Education as defined in the Agreement.
 - b. Higher Education Expenses. The amount of any distribution will not exceed the value of Units available to be distributed and will be paying for Higher Education Expenses.
4. Use of Tuition Units to be Distributed.
 - a. Valuation. Tuition Units shall be valued at the time of distribution as set forth in the definitions of this Agreement.
 - b. Tuition Units. May be used to pay for Tuition and Fees. One full year will be actuarially defined as between 10 and 18 credit hours per quarter for three quarters or between 10 and 18 credit hours per semester for two semesters. The Student may use additional Tuition Units to pay for credit hours in excess of 18 credit hours per quarter or semester not to exceed 125 Units as defined by this Agreement. The Student with excess value at the time of distribution may use any value of their Tuition Units at the time of distribution in excess of Tuition and Fees to pay other Higher Education Expenses.
 - c. Forfeiture of Account. If there is no activity on the Account in the 10 years after the Student reaches the projected Benefit Use Year and no notification of intended usage or request for extension has been received by the Program, upon written notification of the Purchaser, the Student and any other designated parties and failure of the parties to respond within 60 days, the Program may terminate the Account. In this event the rights to distributions or refunds under the Agreement will be forfeited and the Program will retain any funds then remaining in the Account.
 - d. Tax Implications. The Program shall not be responsible for any state or federal taxes imposed on the Purchaser, the Student or otherwise in connection with any distribution of Units and such persons are urged to consult their tax advisor.

V. REFUNDS

A. Request for Refund

1. Only the Purchaser of an Account may request a refund of all or a portion of amounts credited to the Account. The request for refund must include the information and documentation required by the Program. The Program will make refunds only to the Purchaser or the Student, if specified by the Purchaser. The Program will calculate the amount of any refund pursuant to the terms of the applicable Agreement.
2. All refunds will be made according to Washington state law including RCW 28B.95.110, Program rules and policies and §529 of the Code.
3. The Program Director must approve refunds from Accounts older than six months into which the Purchaser has paid over \$500.

B. Timing of Refund

1. General Refund Rules. Refunds will only be made by the Program after the Agreement has been in effect for two calendar years or such shorter period as may be imposed by state or federal laws, regulations or policies. The refund amount shall be minus a Program refund penalty and other outstanding fees.
2. Refunds upon Death or Disability. Tuition Units that have been paid for by the date of the request, in the case of death or disability of the Student, will be available for refund without a Program refund penalty as described above within 90 days after the Purchaser has notified and provided documentation to the Program. The Program may review and verify the information.
3. Termination of Right to Refund. Any value of Tuition Units under an Agreement which has not been paid as a distribution or refund within 10 years after the Student reaches the projected Benefit Use Year or 10 years after the initial distribution date, whichever is later, or as imposed by state or federal law or regulation, may be paid by the Program to the Purchaser as a refund, after deducting Program refund penalties and outstanding fees from such amount. The Program shall notify the Purchaser of the value of the Units and the right to a refund prior to the expiration of the usage of the Units. If no request for a refund or extension of usage or transfer to another Student is requested, the balance shall become property of the Program.

C. Reasons for Refunds

1. Qualified Distributions. A refund will be made by the Program, and no Program refund penalty will be assessed, in the following circumstances:
 - a. Death- In connection with the death of the designated Student, a request must be accompanied by a copy of the Student's death certificate.
 - b. Disability- In connection with the disability of the Student, a request must be accompanied by appropriate documentation from a medical professional demonstrating that the disability prevents or would prevent the Student from attending any Institution of Higher Education.
 - c. Scholarship- As a result of the Student's receipt of a scholarship, a request must be accompanied by documentation of the scholarship, including the awarding entity, the amount of the scholarship and the applicable academic term.

2. Nonqualified Distributions. When a refund is approved by the Program, the Program requires the assessment of a Program refund penalty when funds are removed for purposes other than Higher Education Expenses. The current Program refund penalty amount is 10 percent of the increased value of the Units held at the time of the refund, or \$100, whichever is greater. In addition to the Program refund penalty, nonqualified refund distributions are also subject to a 10 percent penalty tax on earnings payable to the IRS by the Purchaser. The earnings portion of all refunds will be subject to federal income tax. The Purchaser agrees that the Program may reduce the amount of any refund by the amount of any applicable Program refund penalty, fee or charge imposed by the Program.

D. Payment of Refund

1. Full Refund or Partial Refund. Refunds requested for non-attendance are limited to 100 Tuition Units per Academic Year to a Purchaser or Student. The refund amount paid will be based on the current value of a Tuition Unit, as determined by the Committee, at the time of the refund, unless otherwise specified by statute, minus any applicable Program refund penalty and other outstanding fees or charges. Each Tuition Unit will be valued at the current value at the time of the refund, unless otherwise required by state law.
2. Refund in Connection with Scholarship. The Purchaser may request a refund without a Program refund penalty for the cash value of scholarships received by the Student for the year the scholarship is received. ***If, after deducting the scholarship refund, there are still Units available for use, the Program shall pay tuition, fees and any eligible expenses to the Institution of Higher Education.*** The refund cannot exceed the value of 125 Tuition Units in a single year. The Purchaser may elect to use an amount equivalent to the scholarship to pay for the Student's other eligible Higher Education Expenses.
3. Tax Implications. The Program shall not be responsible for any state or federal taxes imposed on the Purchaser, the Student or otherwise in connection with any refund, including the 10 percent penalty tax payable to the Internal Revenue Service in connection with a nonqualified distribution.
4. Refund Fee. The Program may charge fees or penalties in connection with refunds.

VI. FEES/PENALTIES

The Program will establish fees and penalties, and will adjust such fees and penalties from time to time. The Purchaser should refer to the current schedule for fees and penalties provided by the Program. The Purchaser agrees that the Program shall have the right to deduct fees and penalties before any distribution. This may reduce the number of Tuition Units credited to an Account.

VII. AGREEMENT CANCELLATION

A. Full Cancellation

1. Program Cancellations. The Program may cancel an Agreement immediately if: (i) the Purchaser has supplied materially false or misleading information or has made a material misrepresentation on or in connection with an Enrollment form or an Agreement; (ii) the Purchaser fails to provide

a valid Social Security Number for the Student within six months after the date of enrollment; (iii) the value of the Tuition Units held in a Purchaser's Account as then calculated is less than an amount determined by the Program to be minimal; (iv) the initial payment is dishonored; or (v) the Purchaser fails to comply with the terms of the Agreement (other than failure to make monthly payment by the monthly due date) and does not correct such failure within 30 days after receiving notice of such failure.

2. Within three working days. The Purchaser may cancel his or her Account within three working days after the Program receives the Enrollment form and initial payment. The Program will return all of the money in the Account, including the enrollment fee.
3. Within six months. The Purchaser may cancel his or her Account within six months after the Program receives the initial payment. The Program will return all contributions in the Account, except the non-refundable enrollment fee and any other outstanding fees.
4. Accounts with less than \$500. The Purchaser may cancel his or her Account at any time, if the Purchaser has paid \$500 or less into his or her Account. The Program will return all contributions in the Account, except the non-refundable enrollment fee and any other outstanding fees.

B. Account Conversion

If a Custom Monthly Plan is not in good standing, the Program may declare a conversion of the Account. Monthly payments on a converted Account will be used to purchase paid-in-full Lump Sum Units at the prices in effect on the payment date. After conversion, only Lump Sum Units may be purchased in that Account.

C. Cancellation Fees

In the event of any full cancellation by the Program, the Program may deduct any applicable Program refund penalty and any other unpaid fees and charges from amounts credited to the Account and shall then transmit to the Purchaser any remaining amounts credited.

VIII. OPERATION OF THE FUND

A. Pooled Accounts

All amounts received under Agreements will be commingled and held by the Program in accordance with federal and state law. The Program will not separately invest amounts paid under an individual Agreement, but will maintain records showing the Purchaser, the Student, the amount paid and the number of Tuition Units purchased, distributed and refunded in connection with an Agreement.

B. Investment and Use

1. Investment. The Program is permitted to invest amounts paid under Agreements in accordance with state law and the Washington State Investment Board's investment policy. The Program is not required to invest such amounts.
2. Investment Not Subject to Direction. No Purchaser or Student may direct the investment of amounts paid to or otherwise held by the Program in connection with any Agreement.
3. Use. The Program may apply amounts paid under Agreements to pay for or reimburse the Washington State Investment Board for its administrative expenses in connection with the Program.

C. Reserve

The Program will accumulate amounts as a stabilization reserve, available to pay obligations of the Program if the Program does not otherwise have revenues in any particular year sufficient to pay such obligations. Reserve amounts will not be held, maintained or invested separately by the Program.

D. Annual Program Analysis

In accordance with state law, the Program will have an annual evaluation of the actuarial soundness of the Program. The results of this evaluation will be used to determine whether one or more Unit price adjustments are needed, and if so, how much the price will be adjusted.

E. Fund Termination

1. Declaration of Termination. If the State declares that the Program is not financially feasible, or for any other reason determines that the Program shall be terminated, the Committee will cease to accept any further Tuition Unit Agreements or purchases.
2. Remaining Tuition Units. The remaining Tuition Units for all Students who have either enrolled in an Institution of Higher Education or who are within four years of their eighteenth birth date shall be honored until such Tuition Units have been exhausted, or for ten fiscal years from the date the Program was terminated, whichever comes first. All other Purchasers shall receive a refund equal to the current value of the Tuition Units in effect at the time of termination, as determined by the Committee.
3. At the End of the Ten-Year Closeout Period. At the end of the ten-year closeout period, any Tuition Units remaining unused by current Students enrolled in an Institution of Higher Education shall be refunded at the value of a Unit in effect at the end of the ten-year closeout period.
4. Remaining Fund. At the end of the ten-year closeout period, all other funds not needed to make refunds or to pay for administrative costs shall be deposited in the State General Fund.

F. State Guarantee

The Washington Advanced College Tuition Payment Program is an essential State governmental function. Agreements with eligible participants shall be contractual obligations legally binding on the State. If, and only if, the money in the Program is projected to be insufficient to cover the Program's contracted expenses for a given biennium, then the legislature shall appropriate to the Program the amount of money necessary to cover such expenses. Distributions shall be made as outlined in Sections IV and V of this document.

IX. OTHER CONSIDERATIONS

A. Transferability

The Agreement between the State and the Purchaser is not transferable by the Purchaser for payment or other consideration except as allowed under Sections II B (4) and (5). No Purchaser, Student or other person or entity may pledge an Account or any amounts credited to an Account as collateral in connection with a loan or other arrangement.

B. Tax Consideration

The Program is designed to qualify for treatment as a qualified state tuition program under § 529 of the Code, and is subject to any changes to state or federal law. Federal law, effective Jan. 1, 2002, permits Purchasers or Students to be exempt from payment

of income tax on any increased value of distributed Units if such Units are used for Higher Education Expenses. This law, unless made permanent or extended, will sunset on December 31, 2010 and the increased value of distributed Units used for Higher Education Expenses will be subject to federal income taxation. Contributions to Accounts are considered completed gifts for federal estate and gift tax purposes. The Program is not liable for the affect of any state or federal taxes on any transactions or activity in conjunction with the Agreement, including the 10 percent penalty tax which must be paid to the Internal Revenue Service on earnings in connection with a nonqualified distribution. All Purchasers and Students are solely responsible for payment of any applicable taxes or submission of any required forms or other documents to taxing entities. Purchasers are strongly advised to consult a tax advisor regarding the consequences of their participation in the Program.

C. Coordination with other Education Incentives

You may contribute to a Coverdell Education Savings Account and the Program in the same year for the same Student. HOPE Scholarship and Lifetime Learning Credits can be claimed in the same year that a qualified distribution is taken from the Program, provided the distribution is not used for the same expenses.

D. Securities Law Considerations

Agreements may be considered securities for the purposes of certain state and federal laws. The Program may be prevented from allowing potential Purchasers located in certain states to establish contracts, or may be required to make certain filings or pay certain fees to enroll in the Program.

E. Impact on Financial Aid and Medicaid

Financial Aid. The Program cannot determine and makes no representation as to what effect, if any, an Agreement may have on future state, federal, institutional, or private financial aid eligibility of any Student. The receipt of, or potential for receipt of, distributions or refunds under an Agreement may affect a Student's qualification for or receipt of such financial aid. Funds from an Account may be considered a source of funding for financial aid purposes. However, treatment of such assets varies and we cannot advise in this area. You may wish to talk with a financial aid advisor or financial aid office at a particular school.

Medicaid. Rules vary greatly so it is unclear how local and state government agencies will treat program assets when determining Medicaid eligibility. If this is a concern, you should consult with a qualified advisor to determine how an Account may affect Medicaid eligibility.

F. Residency, Financial Aid, and Academic Status

Purchase of an Agreement or other participation in the Program, including being named as a Student under an Agreement, does not constitute any guarantee of:

- Admission to any Institution of Higher Education; or
- Classification as a resident of the State of Washington for purpose of admission to or tuition at any State Institution of Higher Education; or
- Eligibility for any form of state, federal, institutional or private student financial aid; or
- Graduation from any Institution of Higher Education.

G. Bankruptcy Provisions

- Under Washington state law RCW 28B.95 and RCW 6.15.010 (5), effective July 24, 2005, funds used to purchase Tuition Units purchased more than two years prior to the date of a bankruptcy filing or court judgment will be considered excluded personal assets of the Purchaser.
- Under federal law, effective October 17, 2005, funds used to purchase Tuition Units more than two years prior to the bankruptcy filing are exempt. The protection is limited to \$5,000 for funds held for only one to two years. Funds held in an Account for less than one year are not protected. The Student Beneficiary cannot be the debtor and must be the debtor's child, stepchild, grandchild, or step-grandchild.

X. MISCELLANEOUS

A. Notice to Program

Notice to the Program shall be sent to Guaranteed Education Tuition, PO Box 43450, Olympia, Washington 98504-3450 or by facsimile to (360) 704-6200 or the Program may be contacted by email: GETInfo@hecb.wa.gov.

B. Records

Records for the Program shall be subject to the public disclosure laws of the State and the exemption from disclosure provided therein.

C. Washington Law Governs

The laws of the State of Washington shall govern each Agreement. Purchasers agree to jurisdiction of the Washington state courts over any disputes in connection with the Program or any Agreement.

D. Amendments

The Program reserves the right to amend any Agreement to the extent required by law or to the extent necessary or desirable in order to preserve favorable tax treatment under federal and state law or for reasons in the interest of Account Owners and to make technical corrections.

E. Severability

If any court of competent jurisdiction finds any portion of these Agreement terms or the Enrollment form to be invalid or unenforceable, such invalid or unenforceable portion shall be severed from these Agreement terms or the Enrollment form, as applicable, and the remainder of these Agreement terms or the Enrollment form will remain in full force and effect.

F. Purchases by Persons Employed or Related to the Program

Members of the Committee, Program staff and persons employed by service providers in connection with the Program may purchase Tuition Units to the extent consistent with state and federal law and upon the same terms and conditions as the public at large.

2. Tax Matters

This section provides a discussion and overview of the tax consequences of transfers, investments, and withdrawals from your Guaranteed Education Tuition account. It does not address other state or local taxes, including taxes imposed by a state other than Washington. If you live outside the U. S., you should consult a qualified tax advisor regarding your individual situation.

Caveats With Respect to Tax Discussion

This summary is not exhaustive, and you should not construe it as providing advice on your particular situation. In addition, there can be no assurance that the Internal Revenue Service ("IRS") will accept the conclusions in this Program Detail/Master Agreement, or, if challenged by the Service, that these conclusions would be sustained in court. The applicable tax rules are complex, some of the rules are uncertain, and their application to any particular person may vary according to facts and circumstances specific to that person. This section is not intended to constitute, nor does it constitute, legal or tax advice. You should consult your legal or tax advisor about the impact of these rules on your individual situation.

Changing Tax Laws and Regulations

The summary is based on the relevant provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the Proposed Regulations, relevant legislative history, and official interpretations of applicable federal and Washington law as of the date of this Program Detail/Master Agreement documents. The President of the United States on June 7, 2001, signed into law the Economic Growth and Tax Relief Act of 2001, (the "2001 Tax Act"), which significantly changed the federal tax treatment of the Program and the accounts therein, including the treatment of withdrawals from the accounts. These provisions of the 2001 Tax Act, which are generally described below, are generally effective for taxable years beginning after December 31, 2001, through December 31, 2010, unless otherwise extended by future legislation. Additional changes to federal or state tax laws could occur in the future that could have a significant impact on the Program and your investment or result in termination of the Program.

Effective Period of 2001 Tax Act

By its terms the 2001 Tax Act will automatically expire on December 31, 2010, restoring the law to its form prior to the enactment of the 2001 Tax Act. Accordingly, unless additional legislation is enacted prior to that date to extend the effective period of the 2001 Tax Act, the favorable changes made in the 2001 Tax Act to the federal tax treatment of qualified tuition programs will expire on December 31, 2010. *Account Owners and Student Beneficiaries should consult their tax advisors about the potential likelihood that the effective period of these favorable changes will be extended and the consequences if it is not.* In general terms, unless the effective period is extended or Section 529 of the code is modified through additional legislation, the following tax rules, among others, relating to 529 programs such as the Program would expire on December 31, 2010:

- The exclusion from the Student Beneficiary's gross income of the earnings portion of withdrawals used to pay for such Student Beneficiary's Qualified Higher Education Expenses.

- The additional 10% federal penalty tax on the earnings portion of certain taxable withdrawals (in lieu of this tax, the 529 Plan would be required to assess a "more than de minimis" penalty on such amounts).
- The ability under certain circumstances to make a qualified, tax-free rollover distribution for the benefit of the same Student Beneficiary.
- The ability under certain circumstances to treat as a Qualified Withdrawal a transfer from one qualified tuition plan account to an account in another qualified tuition plan for the same Student Beneficiary.
- Inclusion of the first cousins within the definition of "member of the family" of a Student Beneficiary.
- Certain favorable gift, estate, and generation-skipping transfer tax provisions.

Federal Income Tax Treatment of Investments and Distributions

The Program is designed to constitute a "qualified tuition program" under Section 529 of the Code. Generally, earnings in the Program will not be includable in computing the federal taxable income of the Account Owner or the Student Beneficiary while held in the account. As described in greater detail below, whether the earnings are taxed upon withdrawal depends upon how the withdrawal is used.

Qualified Higher Education Expenses

Section 529 of the Code defines "Qualified Higher Education Expenses" as tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a Student Beneficiary at an Institution of Higher Education (see the Program Master Agreement, Section I, "**Definitions**" for further details). The term also includes certain amounts for room and board for Beneficiaries attending school at least half-time in a degree or certificate program. The amount of a Student Beneficiary's room and board expenses that can be counted as a Qualified Higher Education Expense generally may not exceed the amount applicable to the Student Beneficiary included in the "cost of attendance" (as defined under the federal law as of June 7, 2001) at the Institution of Higher Education. In the case of a Student Beneficiary living in housing owned or operated by an Institution of Higher Education, however, the amount of room and board expenses that can be counted as Qualified Higher Education Expenses is the greater of (a) the amount described in preceding sentence, or (b) the actual amount charged the Student Beneficiary by the Institution of Higher Education for room and board for such period. Qualified Higher Education Expenses also include certain additional enrollment and attendance costs of special needs beneficiaries.

Qualified Withdrawals

Withdrawals used to pay for Qualified Higher Education Expenses ("Qualified Withdrawals") will be excludable from the Student Beneficiary's and the Account Owner's federal taxable income. Account Owners should retain documentation such as invoices and receipts adequate to substantiate to the IRS (the "Service") the qualifying use of such withdrawals. There are two components to such a Qualified Withdrawal: (1) return of principal and (2) distribution of earnings. Although neither component is taxable for a Qualified Withdrawal, separately accounting for such components is necessary in order to determine how much of the remaining investment in the accounts consists of earnings and how much consists of principal invested. The earnings portion of a particular withdrawal will generally be determined as of the withdrawal date, rather than in the aggregate for all distributions as of the end of the year. Pending guidance from the Service, it is unclear whether a withdrawal used to pay for Qualified Higher Education Expenses incurred or paid prior to the establishment of the accounts will be treated as a Qualified Withdrawal. Pending guidance from the Service, it is also unclear whether a withdrawal taken after December 31 of the year in which the Qualified Higher Education Expenses were incurred and paid will be treated as a Qualified Withdrawal. Please consult with a qualified tax advisor.

Although the Service has not yet provided guidance on this issue, if amounts from a Qualified Withdrawal that were used to pay Qualified Higher Education Expenses are subsequently refunded in whole or in part to the Account Owner or the Student Beneficiary by the educational institution or other payee, the Account Owner may be required to include the earnings portion of such refund in taxable income for federal income tax purposes and pay the additional 10% penalty tax on such earnings. Such inclusion may not be required if the refunded amount is either reinvested in the accounts or used to pay other Qualified Higher Education Expenses of the Student Beneficiary.

Nonqualified Withdrawals

Under Section 529, the earnings portion of withdrawals from an account other than Qualified Withdrawals (i.e., Nonqualified Withdrawals) is includable in computing the income of the Account Owner (or possibly of the Student Beneficiary if the Nonqualified Withdrawal is paid to the Student Beneficiary) for federal income tax purposes in the year in which the withdrawals are made, except for certain nontaxable transfers to an account or another Section 529 Program as explained in more detail in the Master Agreement under "**Rollover Contributions**" in Section III. The computation of the portion of a Nonqualified Withdrawal that is includable in taxable income is again made under a pro-rata allocation between a nontaxable return of principal and a taxable distribution of earnings.

The earnings portion of any Nonqualified Withdrawal generally will be subject to an additional 10% penalty tax, in addition to applicable income tax. The additional 10% penalty tax will not apply, however, to (a) certain withdrawals made on account of the death or disability of the Student Beneficiary and certain withdrawals made on account of a scholarship received by the Student Beneficiary to the extent such withdrawals do not exceed the amount of the scholarship (see **Section V. Refunds**), and (b) nontaxable transfers to another account or another 529 program as explained in more detail under "**Rollover Contributions**" in Section III of the

Master Agreement. Nonqualified Withdrawals that qualify for an exception to the additional 10% penalty tax, other than nontaxable transfers to an account or other 529 program, are still subject to applicable federal income tax. A "financial hardship" would not entitle you to any special treatment under federal tax laws or to any exemption from the additional 10% federal penalty tax. As noted above, you would be entitled to an exception to the additional 10% penalty tax (but not to the imposition of applicable income tax) if you made a Nonqualified Withdrawal in the case of a Student Beneficiary who died or became disabled.

Aggregation of Accounts

All accounts in the GET Program having the same Student Beneficiary must be treated as a single account for purposes of calculating the earnings portion of each distribution from any such account. Thus, if more than one account is created by an Account Owner for a Student Beneficiary, and a Nonqualified Withdrawal is made from one or more of such accounts, the amount includable in income must be calculated based upon the ratio of total earnings in all such accounts to the total amount in such accounts. Thus, the amount withdrawn from an account may carry with it a greater or lesser amount of income than the earnings in that account alone would justify, depending on the earnings in the other relevant account or accounts.

Transfers between Accounts of Different Designated Beneficiaries or Different 529 Programs

An Account Owner may change the designated Student Beneficiary of an account or may transfer (i.e., "rollover") an amount from an account to an account for a different Student Beneficiary, or to or from an account for a different Student Beneficiary under another 529 Plan (provided such rollover occurs within 60 days of the withdrawal), without the amount distributed having to be included at that time in the federal taxable income of the Account Owner or any Student Beneficiary (and without being treated as a Nonqualified Withdrawal).

In order to qualify for this tax-free treatment, a new designated Student Beneficiary must be a "member of the family" of the current Student Beneficiary. See **Section III, Rollover Contributions**.

If the new Student Beneficiary is a member of a younger generation than that of the current Student Beneficiary, a federal gift tax may apply and if the new Student Beneficiary is two or more generations younger than the current Student Beneficiary, a federal generation-skipping transfer tax may apply. This tax applies in the year in which the money is withdrawn from an account or in which the designated Student Beneficiary is changed.

Tax-free treatment is also available for a rollover from an account in another 529 Plan for the benefit of the same Student Beneficiary, provided that it has been at least 12 months since the most recent such rollover for that Student Beneficiary.

Rollover amounts from another 529 Plan generally retain their character as earnings and invested principal. Until the program receiving the rollover receives documentation from the distributing program showing the earnings portion, however, the receiving program will treat the entire amount of the rollover as earnings.

Federal Gift and Estate Taxes

Investments in accounts are considered completed gifts for federal estate and gift tax purposes. Generally, if the Account Owner dies while there is still money in his or her accounts, the value of the accounts would not be included in the Account Owner's estate (except in the situation described below relating to the gift tax election for investments exceeding \$11,000 in any one year). However, amounts distributed on account of the death of a Student Beneficiary are included in the gross estate of that Student Beneficiary for federal estate tax purposes.

Account investments are potentially subject to federal gift tax payable by the contributing Account Owner. Generally, if an Account Owner's investments in an account or accounts for a Student Beneficiary, together with all other gifts by the Account Owner to the Student Beneficiary, are less than \$11,000 per year (\$22,000 per married couple), no federal gift tax will be imposed on the Account Owner for gifts to the Student Beneficiary during that year.

If an Account Owner's investment in an account for a Student Beneficiary in a single year is greater than \$11,000 (\$22,000 per married couple), the Account Owner may elect for federal gift tax purposes to treat the investments up to \$55,000 (\$110,000 per married couple) as having been made proportionately over a five-year period. However, if the Account Owner dies before the five-year period has elapsed, the portion of the investment allocable to years remaining in the five-year period (except for earnings on such investment) would be includable in the Account Owner's estate for federal estate tax purposes.

A withdrawal from an account, a permissible change of the designated Student Beneficiary, or a permissible transfer to an account for another Student Beneficiary will not be subject to federal gift or transfer tax, except that such a change or transfer will potentially be subject to gift tax if the new Student Beneficiary is of a younger generation than the Student Beneficiary being replaced and will potentially be subject to the generation-skipping transfer tax if the new Student Beneficiary is two or more generations younger than the Student Beneficiary being replaced.

Because investments in an account are treated as completed gifts for federal transfer tax purposes, you may also need to be concerned about the generation-skipping transfer tax for yourself or the Student Beneficiary. This tax may apply to investments in excess of the amount that may be elected to be proportionately spread over the five-year period discussed above if the Student Beneficiary is deemed to be a member of a generation that is two or more generations younger than the generation of the Account Owner. In addition, as noted above, if a change is made in the designated Student Beneficiary such that the new Student Beneficiary is two or more generations younger than the former Student Beneficiary, the generation-skipping transfer tax may also be triggered.

Generally, taxpayers are eligible for a limited generation-skipping transfer tax exemption that will be allocated to transfers that are subject to generation-skipping transfer tax. Accordingly, this tax may not apply to many Account Owners and Beneficiaries. However, where it applies, it is imposed at a flat rate.

Beginning in taxable years after December 31, 2001, substantial changes have been made to the estate, generation-skipping, and gift tax rules under the 2001 Tax Act. In general, the 2001 Tax Act

reduces tax rates, increases the exemption amounts, and repeals the estate and generation-skipping taxes as of 2010. Account Owners and Beneficiaries should consult a qualified tax advisor regarding the specific application of these new rules to their particular circumstances.

Estate, gift, and generation-skipping tax issues arising in connection with 529 Plans can be quite complicated. You should consult with your tax advisor if you have any questions about these issues.

Coverdell Education Savings Accounts (ESAs)

ESAs permit deferral of federal income tax liability, and possible exclusion from gross income for earnings in such ESAs. If withdrawals are made from an account and an ESA in the same year for the same Student Beneficiary in excess of qualified higher education expenses, however, you will need to allocate qualified higher education expenses between the two programs.

You may make contributions to your accounts in the Program and to an ESA in the same year. You may also take a distribution of part or all of your ESA and invest it as a contribution to your accounts. Such a distribution is considered a qualifying ESA distribution that is not subject to federal income tax.

Series EE and I Bonds

Interest on Series EE Savings Bonds issued January 1990 and later, as well as interest on all Series I Savings Bonds, may be completely or partially excluded from federal income tax if bond proceeds are used to pay certain higher education expenses at an Institution of Higher Education or are contributed to an account in the same calendar year the bonds are redeemed. For this purpose, qualifying expenses do not include the cost of books, supplies, or room and board. The amount of higher education expenses taken into account in calculating the interest excludable from income is reduced by scholarships, fellowships, and certain other forms of tuition assistance. Certain income limitations apply and the Student Beneficiary must have a specified relationship with the Account Owner. Provided appropriate documentation is furnished to the Program, the original purchase price of the bonds redeemed and contributed to an account will be added to the contribution portion of the accounts, with the interest added to earnings.

Hope Scholarship and Lifetime Learning Credits

A taxpayer may not claim a Hope Scholarship Credit or Lifetime Learning Credit for amounts withdrawn tax free from an account and used for qualified educational expenses, but may be eligible for these credits for educational expenses paid from other sources during the year.

Tax Deduction for Education Expenses

The 2001 Tax Act provides for a deduction for the payment of tuition and related expenses by taxpayers who fall within certain income limits. The deduction may not be claimed, however, for expenses that were paid from the earnings portion of a tax-free withdrawal from an account.

3. Program Information

The State Guarantee

With GET, the State of Washington guarantees that the money families set aside for college will keep pace with tuition and state-mandated fees at the most expensive public university in Washington. The state tuition guarantee is backed by state law (RCW 28B.95). That means that if future tuition increases require the GET Program to pay out more money than it had available, the Legislature would be required by state law to appropriate state funds to cover the expenses. GET is one of the few prepaid tuition programs with a state guarantee backed by state law.

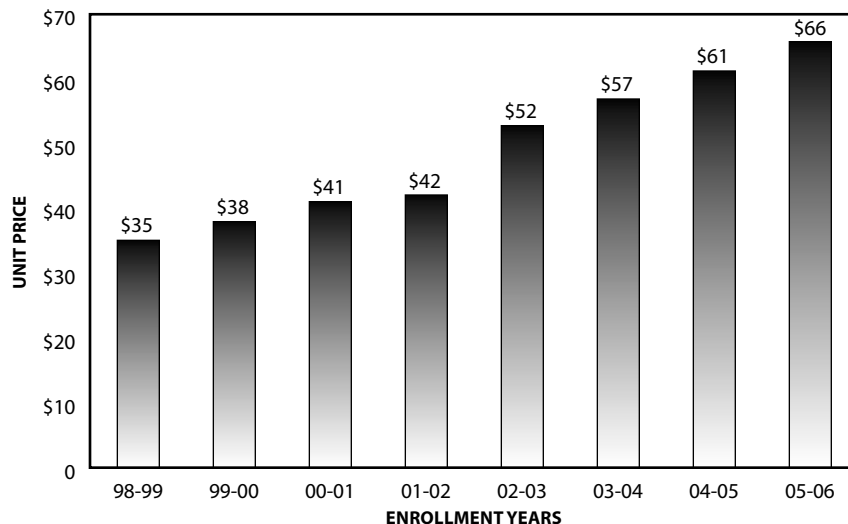
Program Fees

Type of Fee	Amount
Enrollment Fee <i>(non-refundable)</i>	\$50 per account \$100 maximum per family <i>(If more than two accounts are opened by the same account owner for students at the same home address.)</i>
Late Payment Fee <i>For Custom Monthly Plan payments more than 15 days late.</i> <i>(All payments are due on the 15th of each month.)</i>	\$10
Account Cancellation Fee	\$10
NSF/Returned Check Payment Fee <i>(Automatic withdrawal and checks)</i>	\$15
Program Refund Penalty* <i>For all refunds except in the event of death, disability, scholarship, or graduation/completion of higher education program.</i>	10% of earnings or \$100, whichever is greater
Account Maintenance Fee <i>(assessed on refunds only)*</i>	\$1.70 per month while the account was open and active
For Organizations	
Scholarship Set-up Fee <i>(non-refundable)</i>	\$100 per master account
Student Account Transfer Fee <i>Assessed each time the organization transfers units from the master account to a named student account (per student account).</i>	\$25

* If you do not use your distribution or refund for qualified educational expenses, any account earnings will no longer be exempt from federal taxes. You may also be required to pay a 10 percent federal tax penalty on your income tax return. The GET Program will issue a 1099-Q form to the account owner.

Unit Prices Over Time

Unit prices have increased steadily since the program's creation in 1998.



Using Your Units

Over 35,000 public and private colleges, universities and job training schools in the United States accept GET units. A school can accept GET units if it participates in federal financial aid programs. For a complete search engine of eligible schools in the United States and other countries, please visit the U.S. Department of Education's Free Application for Federal Student Aid (FAFSA) Web site (www.fafsa.ed.gov/fotw0506/fslookup.htm). If the school is listed, it can accept GET units.

We will send you a *Guide to Using Your GET Units* in the spring before your student will be attending college. The guide explains how to use your GET units to pay for college. To use your GET account, it must have been open for at least two calendar years. If you have a Custom Monthly Plan, it must be paid in full. You can use up to 125 eligible units per academic year, plus any unused units rolled over from previous years of eligibility.

In general, the GET Program pays the college or university directly for tuition, state-mandated fees, and on-campus room and board. You also may request a reimbursement from the GET Program for these and other qualified higher education expenses.

Qualified Higher Education Expenses

Tuition	Full-time or part-time enrollment Regular academic year or summer program Undergraduate or graduate/professional program
State-mandated fees	Operating, building, and services and activities fees approved by the State of Washington (RCW 28B.15.020 and RCW 28B.15.041)
College-specific fees	Other fees, such as technology, lab, or equipment fees, that are billed by the college or university ¹
On-campus room and board (Student must be enrolled at least half- time to pay room and board.)	Amount cannot exceed the typical room and board charged by the college or university
Off-campus living expenses (Student must be enrolled at least half- time to pay room and board.)	Maximum amount per academic year: \$1,500 if student is living with parent/guardian \$2,500 if student is <i>not</i> living with parent/guardian
Books, supplies and equipment	Expenses required for college attendance
Special needs	Expenses required for college attendance for students with special needs (Please call the GET Program for more information.)

¹ These fees are not required by the state and, therefore, are not included when determining the GET unit payout value. However, you can use GET units to pay these fees, if you have units leftover after paying tuition and state-mandated fees.

Requesting a Refund

All cancellations and refunds are made according to Internal Revenue Code Section 529, Washington State law (RCW 28B.95.110) and GET Program policies. In general, you can request a refund after your account has been open for a minimum of two years, with some exceptions. Please review the GET Cancellation and Refund Policy on our Web site for details.

To request a refund, you will need to send a Refund Request Certification form and supporting documentation (if required) to: GET Director, P.O. Box 43450, Olympia, WA 98504-3450. We cannot accept faxed requests. Once a refund has been approved, you should receive your refund within three to six weeks.

Circumstances Requiring a Two-year Waiting Period

- **Scholarship:** If your student receives a scholarship, you can use your GET account for other qualified higher education expenses, transfer the units to another family member, or request a refund equal to the value of the scholarship (up to 125 units per year).
- **Graduation or program completion:** If your student has remaining units in a GET account upon graduation, you can transfer those units to another family member or request a refund.
- **Non-attendance:** If your student decides not to attend college, you can transfer units to another family member, hold the units in the account for up to 10 years, or request a refund.

Exceptions to the Two-year Waiting Period

- **Death or disability of the student:** If your student dies or becomes disabled, you can transfer units to another family member or request a refund.
- **Financial hardship:** If you lose your job or declare bankruptcy, for example, you can request a refund.
- **Cancellation within six months:** If you cancel your account within six months after you open it, you can request a refund.
- **Account contributions of less than \$500:** If you have contributed less than \$500 to your account, you can request a refund.

Penalties and fees may be assessed on certain refunds. For complete details, visit our Web site at www.get.wa.gov or call customer service.

Important Deadlines

Opening an Account

September 15, 2005	The 2005-06 enrollment year begins. You can open a Custom Monthly or Lump Sum account at the \$66 unit price.
March 31, 2006	The 2005-06 enrollment year ends. If you enroll online, you must complete your online enrollment by midnight on March 31. If you enroll by mail, your enrollment form must be postmarked by March 31. <i>Note: Online enrollment gets congested during the final week of the enrollment period. To avoid frustration, please enroll early.</i>

Buying Units for Your Account *(For GET accounts opened by March 31, 2006)*

April 30, 2006	April 30 is the last day to buy Lump Sum units at the \$66 unit price. We must receive your payment by April 30. (We do not accept April 30 postmarks. If we receive your payment after April 30, we will process it at the unit price in effect on May 1.)
May 1, 2006	The GET Program may increase the unit price for Lump Sum purchases.
August 31, 2006	August 31 is the last day to buy Lump Sum units at the unit price set on May 1. We must receive your payment by August 31. (If we receive your payment after August 31, we will process it at the unit price in effect on September 1.)
September 1, 2006	The GET Program will set a new unit price for the 2006-07 enrollment year.

4. Frequently Asked Questions

Following is a list of the most commonly asked questions about the GET Program, along with their answers.

Please visit our Web site for an expanded list of questions and answers, including information on how to manage and make changes to your GET account.

Opening a GET Account

Who can open a GET account?

You can open an account for anyone – your child, grandchild, niece or nephew, friend, or even yourself. The only requirement is that either the student beneficiary **OR** the account owner live in Washington at the time of enrollment. Children of military personnel who claim Washington as their home of record also are eligible to participate in GET. Simply include documentation of Washington residency with your enrollment form.

Who controls a GET account?

The account owner maintains control over all of the money in the account and is the only one who can request account changes, distributions, or a refund. The student does not have any control over the account, unless he or she is also the account owner.

Can two people act as joint account owners of a GET account?

No. An account can have only one account owner. Although anyone can contribute to an account, only the account owner can request account changes, distributions or a refund.

Can I open a GET account and another Section 529 account?

Yes. You can open more than one Section 529 account for the same student. Since GET is designed to cover primarily tuition and state-mandated fees, it may make sense to open another Section 529 account to save for room and board and other college expenses.

Do I need to open separate accounts for each student?

Yes. You need to open a separate account and complete a separate enrollment form for each student. There is a maximum enrollment fee of \$100 per family. To qualify, there must be more than two GET accounts, the account owner must be the same on all accounts and all of the students must live at the same home address.

Do I have to pick a school when I enroll?

No. When your student is ready for college, we will mail you information about how to use your GET units. At that time, we will ask you where your student will be going to college.

Can I pay off my Custom Monthly Plan early?

Yes. You can pay off your Custom Monthly contract early, although you will not save any interest. Call Customer Service to learn about other options.

What if I can't make the monthly payment on my Custom Monthly Plan?

If you can no longer make the payments on your Custom Monthly contract, you can do one of the following:

- Convert your contract to a Lump Sum account;
 - Reduce the total number of units in your contract to lower your monthly payment;
 - Increase the total number of years in your contract; or
 - Close the account and request a refund.
- Please call us for details.

Buying GET Units

Is there a minimum or maximum number of units that I can buy?

When you open an account, you must either buy at least one Lump Sum unit or sign up for a Custom Monthly contract.

You can buy up to 500 units for each student. If a student has more than one account, the total combined units in all of the accounts cannot exceed 500 units.

Can more than one person contribute to a GET account?

Yes. Anyone can contribute to a GET account. Buying units is a great gift idea for grandparents and other family members and friends. You can name one or multiple "giftors," individuals who can contribute money to your account. You can give the "giftor" a coupon, which can then be mailed to us with a contribution. Or you can download a Giftoir Authorization form from our Web site and mail the completed form to us. We will send your giftor a coupon book. All gift payments made on an account belong to you, the account owner.

Please note that if you have a Custom Monthly Plan, we will apply all contributions to your Custom Monthly account unless the giftor specifies that the money should be used to buy Lump Sum units.

Can I redeem Series EE or I U.S. Savings Bonds to buy units without incurring federal income tax?

Yes. You can redeem Series EE or I Bonds purchased after 1989 and not pay federal income tax if you reinvest the proceeds in a GET account and meet certain age and income eligibility requirements. Since you can contribute only cash to a GET account, you must liquidate your bonds and then complete the Rollover In/Transfer In form on our Web site. For more information about liquidating savings bonds, please visit the U.S. Department of Treasury Web site at www.publicdebt.treas.gov and review Publication 970 on the IRS Web site at www.irs.gov. Please consult your tax advisor because this may be a taxable transaction.

Can I transfer funds from my Coverdell Education Savings Account into my GET account without paying federal income taxes?

Yes. A qualified withdrawal from a Coverdell Education Savings Account (ESA), formerly known as an Education IRA, is generally tax-free. You will not pay a penalty for this liquidation as long as you place the money in a qualified tuition program like GET for the same student beneficiary. If you transfer funds from a Coverdell ESA, you must complete the Rollover In/Transfer In form on our Web site. For more information about withdrawals from Coverdell ESAs, review Publication 970 on the IRS Web site at www.irs.gov. Please consult your tax advisor because this may be a taxable transaction.

Can I roll over funds from another 529 program into GET without paying federal income taxes?

Yes. You can authorize the direct rollover of money from another qualified 529 plan to your GET account. If you want your other 529 plan to send the distribution directly to GET, you may need to complete one of their forms. Then complete the Rollover In/Transfer In form on our Web site. For more information, review Publication 970 on the IRS Web site at www.irs.gov. Please consult your tax advisor because this may be a taxable transaction.

Can I roll over funds from GET into another 529 program?

No. GET does not currently allow this type of rollover. If you want to transfer funds to another 529 plan, you must request a non-qualified refund of your units and pay any applicable program penalties and fees. You also will have to pay federal taxes and penalties on the earnings portion of the refund unless you reinvest the funds in a qualifying account in another 529 plan within 60 days. You will need to complete the Refund Certification form available on our Web site. Please review our Cancellation and Refund Policy for more information. Please consult your tax advisor because this may be a taxable transaction.

Can I buy GET units with funds from an existing UGMA or UTMA custodial account?

Funds invested in a UGMA or UTMA account (Uniform Gift to Minors Act/Uniform Transfer to Minors Act) belong to the minor. The custodian has a legal obligation to use the funds solely for the benefit of the minor. To maintain the proper ownership of these funds, a GET account must have the minor as both the account owner and the student beneficiary. You will need to name a guardian or trustee to manage the account on the minor's behalf. Once you set up the GET account, you can liquidate the UGMA or UTMA account and send the funds to the GET Program. Please consult your tax advisor because this may be a taxable transaction.

If I decide to open a Lump Sum account, how do I buy more units? Do I have to complete another enrollment form?

You do not have to complete a new enrollment form to buy more units. If you bought fewer than 500 units when you enrolled in the program, you will receive a coupon book for future purchases. If you designated "giftors" on your account, they also will receive coupon books for future gift purchases.

If I set up a Custom Monthly Plan and later decide I would like to buy more units, what can I do?

You have two options:

- If you set up a Custom Monthly Plan during a previous enrollment period, you will need to set up a second Custom Monthly Plan. The new contract will be priced at the new unit price.
- You can buy additional Lump Sum units for your existing account whenever you like. You will pay the unit price in effect at the time of each purchase.

Why are the total monthly payments on a Custom Monthly Plan higher than the cost of buying units through a Lump Sum Plan?

The Custom Monthly Plan includes a 7.5 percent interest rate because your payments are spread over one or more years. The GET Program does not receive all of the funds immediately and cannot invest them and earn the expected interest over time. Consequently, the Custom Monthly Plan payments are calculated to provide the same amount of interest the program would expect to earn on its investments.

How is the GET unit price determined?

The unit price is based on an actuarial formula, which incorporates several factors, including the current cost of tuition, estimated future tuition, inflation, investment returns, administrative costs, and a reserve to assist in periods of fluctuating returns or higher than average tuition. Since the GET Program guarantees it will cover the cost of future tuition, we must set a unit price to ensure that sufficient funds will be available for all future payouts. The GET Program may adjust the unit price on May 1 and September 1 every year.

Why is the current GET unit price higher than the current GET unit payout value?

Because the State of Washington guarantees that the money you put into GET will keep pace with rising tuition, we must ensure that we always have sufficient funds available. The GET Committee sets the unit price twice annually and includes a premium amount based on an actuarial formula. This formula includes expected tuition increases, inflation, expected investment returns, administrative and operating expenses, and a reserve amount that will keep the program actuarially sound over time. GET is a nonprofit, self-sustaining program and receives no ongoing appropriations from the Legislature.

Using My GET Units

What if my student doesn't go to college?

You have three options:

- Wait. Your student has up to 10 years after high school graduation to begin using the account. (We recommend that you wait and see if your student's plans change within that time.)
- Transfer the account to another family member.
- Request a refund. Please review our Cancellation and Refund policy.

Can we still buy units in our GET account if we move out of state?

Yes. Once you open a GET account, you can add units even if you move out of state or out of the country. Just tell us your new address and telephone number so we can reach you.

How soon can I use a GET account?

You must hold your GET units in your account for a minimum of two calendar years before you can use them. If you have a Custom Monthly Plan, it must be paid in full. However, it may take longer than two years to recover your initial investment. The younger your student is at the time of enrollment, the greater your long-term return will be.

How is the value of my account determined?

One GET unit equals 1 percent of the resident undergraduate tuition, plus state-mandated fees, at the most expensive Washington public university at the time of use. We determine this value, known as the "payout value," at the beginning of each academic year after the state public universities set their tuition rates. Please check our Web site or call us after August 1 for the payout value for the next academic year.

Example 1: Your student attends a Washington public college

Your student will be attending The Evergreen State College and you have 115 eligible GET units. For the 2005-2006 academic year, the payout value of one GET unit is \$55.06. Tuition at Evergreen is equal to about 78 units. Consequently, after paying tuition, you will have about 37 GET units left. You can use these units for books, housing, or other required college costs or roll them over for use in the following year.

Example 2: Your student attends a private or out-of-state college

Your student will be attending the University of Idaho as a non-resident. You would like to use 100 GET units to help cover his college costs. For the 2005-2006 academic year, the payout value of one GET unit is \$55.06. Your 100 units are worth \$5,506. You can use that amount to help offset your student's total college costs. You and your student are responsible for covering any remaining costs.

Where can I use my GET units?

Do I have to use them in Washington State?

You can use your GET units at any eligible public or private college, university or job training school in the United States, as well as selected colleges in other countries. A college is eligible if it participates in federal financial aid programs through the U.S. Department of Education. To determine which schools accept GET units or to verify a federal school code, visit the search page on the Free Application for Federal Student Aid (FAFSA) Web site. If the school is listed, you may use your GET units there.

Keep in mind that your GET units may not be enough to cover the full cost of tuition and fees at private or out-of-state schools. And enrollment in the GET Program does not guarantee in-state resident tuition or admission to any school.

Can I use GET units for college expenses other than tuition?

Yes. If you have eligible unused GET units after paying tuition and fees, you can use them to pay for room and board (on- and off-campus), and required books, supplies and equipment. Please review the list of qualified higher education expenses on page 14.

How will GET units affect financial aid?

At this time, you do not have to report your GET units on the Free Application for Federal Student Aid (FAFSA). The FAFSA is the application most colleges and universities use to determine whether a student is eligible for need-based financial aid.

However, you do need to list your GET units as a resource when filling out college aid applications. If you do not tell your student's school that he or she has GET units, the school may recalculate your student's financial aid award package when a GET payment is made. This recalculation may result in a lower financial aid award. (This may change in future years if Congress amends the Higher Education Act of 1965.)

A GET account may affect your student's eligibility for need-based financial aid. However, GET benefits also may reduce the need for student or parent loans.

Does a GET account guarantee college admission or in-state tuition?

No. Having a GET account does not affect your student's chances of getting in to a particular college or his or her eligibility for in-state tuition rates.

www.get.wa.gov

Telephone: 1.877.438.8848 (toll-free) • Email: GETInfo@hecb.wa.gov



Washington State's
529 Prepaid College
Tuition Program

The Washington Higher Education Coordinating Board administers the GET Program while the Washington State Investment Board oversees its investments. The Committee on Advanced Tuition Payment, commonly referred to as the GET Committee, governs the program.

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